



HOUSE OF REPRESENTATIVES

HB 2561

sanitary district refunding bonds

Prime Sponsor: Representative Campbell, LD 1

DPA Committee on Ways and Means

DPA Caucus and COW

X House Engrossed

OVERVIEW

HB 2561 authorizes sanitary districts to issue refunding bonds.

PROVISIONS

1. Authorizes the board of directors of a sanitary district to issue refunding bonds.
2. Stipulates that refunding bonds may only be issued if the total amount of principal and interest on the refunding bonds does not exceed the total amount of remaining principal and interest on the bonds to be refunded.
3. Specifies that refunding bonds are issued and sold as prescribed by the district board of directors.
4. States that interest on refunding bonds is to be paid on January 1st and July 1st of each year and the due dates of refunding bonds are January 1st and July 1st in the years they are due.
5. Allows sanitary district refunding bonds to be:
 - a. exchanged for bonds of at least the same principal amount;
 - b. sold above or below par at a negotiated or public sale; and
 - c. exchanged in part and sold in part.
6. Stipulates that, if a bond is sold, the proceeds, monies in the debt service fund, amounts in any reserve fund and any other amounts may be invested, as long as the investment will mature with interest to provide funds to pay the refunding bond when due or called for redemption.
 - a. Requires any investments to be deposited to be deposited in trust with a national bank authorized to do business in this state and that is a member of the Federal Deposit Insurance Corporation or a successor agency.
 - b. Clarifies that after a deposit, the refunding bonds are deemed paid and have no further interest in the assessments for the bonds being refunded.
7. Requires the sanitary district treasurer to enter into trust agreements with banks for the handling, safekeeping and administration of the amounts and investments that are derived from the refunding bond.
 - a. Requires the investments to be obligations issued by the U.S. government or fully guaranteed by the U.S. government for principal and interest
8. Requires the board of directors to file a modified assessment reflecting the reduction after the issuance of a refunding bond.

HB 2301

- a. Authorizes the board of directors to approve a modified assessment without providing notice or a hearing to the owners of affected parcels if no parcels' assessments are increased.
 - b. Requires the board of directors to notice and call a hearing if the modified assessment is an increase.
9. Requires refunding bonds to be secured by the assessments levied to pay for the refunding bonds.
10. Requires, upon issuance of a refunding bond, the remaining unpaid installments of the assessments to be recalculated and modified so that the collected amount equals the amount necessary to repay the refunding bonds.
11. Stipulates that parcel owners do not have the ability to request a correction or modification to an assessment modified after issuance of a refunding bond.
12. Specifies that payments for a bond being refunded remain in effect, securing the refunding bonds, until they paid in full.
13. Stipulates that refunding bonds may only be paid out of a special fund and that the monies in the fund may only be used for the payment of refunding bonds.
14. Allows the sanitary district treasurer to enter into an agreement with the county treasurer for the county treasurer to collect the special assessments for the refunding bonds in the same manner as property taxes.
 - a. The agreement may include monies paid to the county treasurer for compensation.
15. Specifies that the determination by the board of directors that the limitations and conditions prescribed by this Act have been met is conclusive in the absence of fraud or arbitrary and gross abuse of discretion.
16. Defines terms.

CURRENT LAW

A sanitary district is a special taxing district formed for the purposes of regulating, purchasing, constructing and operating a sewerage system or a by-product processing and disposal system and for purchasing, establishing, constructing and operating a garbage disposal and treatment system. An established sanitary district maintains the same powers, privileges and immunities as that of a municipality of the state. Each district is governed by, either, a board of directors or the county board of supervisors in which the district is located, acting as a board of directors, dependent on the size of the district.

The board of directors of a sanitary district may issue improvement bonds to cover the costs and expenses associated with improvements to the district. All improvement bonds must be repaid with monies from a special fund, consisting of special assessments levied and assessed on the lots fronting on and benefiting from the improvement or, if an assessment district has been created, on the lots included in the assessment district. Sanitary district improvement bonds are currently limited to a maturity period of 25 years and 3 months and a maturity period of 40 years and 3 months for bonds purchased by the U.S. or any department, division or agency thereof. (A.R.S. Title 48, Chapter 14)